

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 120 – HB 610

February 12, 2023

SUMMARY OF BILL: Allows insurance companies to receive a credit against premium taxes due in the amount of examinations fees, or expenses paid to the Department of Commerce and Insurance (DCI) during the year in which such insurance companies incurred and paid a fee for the required examination. Deletes the provision that allowed insurance companies to receive a tax credit for valuation of life policy fees against premium taxes collected.

FISCAL IMPACT:

Decrease State Revenue - \$1,546,600/FY23-24 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-1-408, the Commissioner of DCI shall as often as once in five years visit each insurance company licensed in this state and examine its affairs, especially as to its financial condition and ability to fulfill its obligations, and whether it has complied with the law.
- Pursuant to Tenn. Code Ann. § 56-1-413, any insurance company authorized to do business in this state and examined under the law shall pay any and all proper fees or expenses incurred by DCI in performing these examinations.
- DCI examination fees and expenses are based on the size and workload for each company; therefore, the amount of fees paid to DCI vary each year depending on which companies are examined.
- The total amount of examination reimbursement fees collected from insurance companies was an average of \$1,546,626 each year based on the following collections from the previous five fiscal years:
 - FY17-18: \$894,855
 - FY18-19: \$1,107,530
 - FY19-20: \$1,210,297
 - FY20-21: \$2,212,804
 - FY21-22: \$2,307,642
- According to DCI gross premiums taxes collected by the agency are transmitted to the General Fund; therefore, a premium tax credit would result in a decrease in state revenue to the General Fund.
- The total recurring decrease in state revenue to the General Fund resulting from examination fee credits against premium tax collections due is estimated to be \$1,546,626 in FY23-24 and each subsequent year.

- DCI provides that a credit for valuation of life policy fees is obsolete language and that no such credit has been given; therefore, deleting such language will not have any impact to DCI or insurance companies.

IMPACT TO COMMERCE:

Decrease Business Expenditures - \$1,546,600/FY23-24 and Subsequent Years

Assumptions:

- Providing a tax credit for fee examinations against premium taxes due during the year in which such insurance companies incurred and paid the fee will reduce business expenditures for individual insurance companies that year and again every five years in which a new examination fee will occur.
- The total decrease in business expenditures related to the industry is estimated to be \$1,546,626 in FY23-24 and each subsequent year, based on collections from the average amount of fees collected by DCI from the previous five fiscal years.
- The provisions of the proposed legislation will not result in any significant impact to jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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